

Millennium Challenge Corporation

Reducing Poverty Through Growth



COUNTRY : MADAGASCAR

STATUS : IMPLEMENTATION, YEAR 2

LAST UPDATE : AUGUST 2006

GENERAL INFORMATION

| | |
|----------------------|---|
| Population | 18,112,724* |
| GNI Per Capita | \$290* |
| Location | Southern Africa, island in the Indian Ocean |
| Total Compact Amount | \$109.8 Million |
| Compact Duration | 4 Years |

COMPACT GOAL

Madagascar's Compact goal is to shift production activity from subsistence toward a market-driven economy. The Compact program is designed to increase incomes in rural areas by increasing land security, increasing competition in the financial sector, and increasing investment in farms and other rural businesses. Program implementation is focused on five discrete geographic high-potential zones.

EXPECTED RESULTS

MCC anticipates the following results in the five regions of the country targeted by the program:

- 184,000 new savings accounts by 2009
- 250,000 hectares of land titled
- 150,000 farmers and enterprises adopting new technologies or engaging in higher value production by 2009
- Agribusiness investment strategy developed for each of the five regions where MCA works

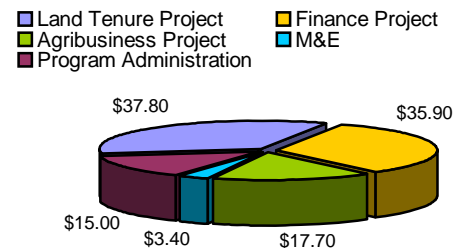


MCA-Madagascar recently hosted a successful and high profile rural, technological and commercial event called "Haognan'i Mania 2006" in the target region of Ambositra (Amaron'ny Mania region), from July 20-22, 2006. The event attracted a crowd of 16,000 participants, making it the biggest event to ever take place in the region. The fair focused on promoting apiculture, silkworm breeding, essential oils, tourism and crafts.

COMPACT PROCESS

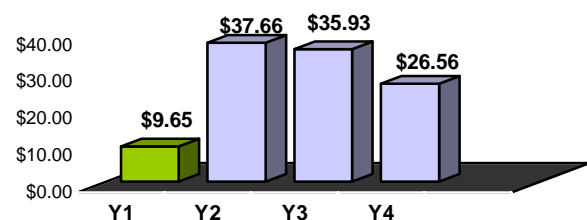
| COMPACT PROCESS | | DATE |
|--|---|-------------------|
| Eligibility Notification | ☑ | May 6, 2004 |
| Proposal Receipt | ☑ | October 4, 2004 |
| Opportunity Memo | ☑ | October 7, 2004 |
| Congressional Notification on Compact Negotiations | ☑ | October 12, 2004 |
| Investment Memo | ☑ | December 16, 2004 |
| Board Approval | ☑ | March 14, 2005 |
| Compact Signing | ☑ | April 18, 2005 |
| Entry into Force | ☑ | July 27, 2005 |
| Initial Disbursement | ☑ | July 27, 2005 |
| Second Disbursement | ☑ | December 13, 2005 |
| Third Disbursement | ☑ | May 11, 2006 |

MADAGASCAR OBLIGATIONS BY KEY SECTORS (IN MILLIONS)



MADAGASCAR DISBURSEMENT SCHEDULE (IN MILLIONS)

■ Projected Total Annual Disbursement
■ Total Disbursed to Date



* July 2005: Entry into Force

UPDATE ON PROGRESS

- The Compact is being implemented by MCA-Madagascar, a Government of Madagascar entity. A mixed public-private Steering Committee and an Advisory Council comprised of civil society members meet at regular intervals to provide oversight.
- MCA-Madagascar is launching activities in three additional target regions (Atsinanana, Boeny and Diana), which were selected through a major consultative process in April 2006. The program is now active in all five target regions.
- Pilot Agricultural Business Centers (ABCs) established in Menabe, Antsirabe and Amoron'i Mania continue to provide technical assistance to small and medium-scale enterprises. The ABCs have received 1,264 visitors, conducted 31 information workshops, and formalized 2 cooperatives.
- Over 352 microfinance institution personnel have been trained, and 229 farmers have been trained in accessing microfinance services.
- The MCC-funded local land management office in Faratsiho has issued 259 land certificates.
- Updates on implementation and procurement opportunities are posted on MCA-Madagascar's website (www.mca-madagascar.org).

*World Development Indicators, World Bank, 2005